

## Message Text

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ACTION EB-07

INFO OCT-01 EA-09 ISO-00 CIAE-00 COME-00 INR-07 LAB-04  
NSAE-00 SP-02 STR-04 TRSE-00 CIEP-02 FRB-01 OMB-01  
/038 W

-----050417Z 074599 /60

P R 040711Z JAN 77 ZDK  
FM AMEMBASSY MANILA  
TO USDA/FAS/WASHDC PRIORITY  
INFO SECSTATE WASHDC 4425

UNCLAS MANILA 0078

FOR STEVENSON, COT DIV, FCA

SUBJECT: COTTON DEMAND PROSPECTS

REF: FASTO 526

TOFAS 2. FOLLOWING INFORMATION PROVIDED IN RESPONSE TO QUESTIONS  
IN REF FASTO.

1. ESTIMATED PHILIPPINE CONNTON CONSUMPTION FOR 1976-77 ESTIMATED AT  
165,000 BALES COMPARED WITH 160,000 BALES IN 1975-76.
2. SIGNIFICANT FACTORS AFFECTING 1976-77 CONSUMPTION ARE (A) CONTINUED

TIGHT MONEY AND PRIORITY SPENDING FOR VARIOUS PROJECTS, I.E., FOOD  
PRODUCTION, TRANSPORTATION, TOURIST AND CONVENTION FACILITIES, RECONS-

TRUCTION OF EARTHQUAKE AND FLOOD DAMAGE, AND OTHER SERVICES WHICH  
HAVE SPIRALED IN COST (B) HIGHER PRICE OF COTTON AND FABRICS  
HAS HELD DOWN DEMAND, ESPECIALLY FOR THE LOWER INCOME PEOPLE THAT  
ACCOUNT FOR THE BULK OF SALES (C) A GREATER USE OF SYNTHETIC FIBERS  
WHICH ARE LOWER PRICED, AND (D) HIGH INTEREST RATES AND SHORT  
FINANCING PERIODS FOR IMPORTED COTTON. OFFSETTING ARE (A)  
INCREASE IN PRICE OF SYNTHETIC FIBERS (B) INCREASE IN RATE OF  
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DUTY FOR NYLON AND (C) PREFERENCE FOR COTTON-BASED FABRICS.

3. MILL ACTIVITY HAS IMPROVED OVER SAME PERIOD LAST YEAR. MILLS  
ARE OPERATING AT ABOUT 80 PERCENT OF CAPACITY. ACTIVITY IN 1977-78  
COULD IMPROVE SLIGHTLY OVER CURRENT YEAR.

4. TEXTILE INVENTORY BEING REDUCED AND IS CURRENTLY ESTIMATED AT

LESS THAN 100 MILLION YARDS. THE LEVEL OF RAW COTTON STOCKS  
ESTIMATED AT ABOUT 45,000 BALES, SUFFICIENT TO COVER OPERATIONS  
UNTIL THE END OF MARCH.

5. STRONG COMPETITION FROM MAN-MADE FIBERS. SWITCHING TO SYNTHETICS  
COMMON, IN SOME CASES AS MUCH AS 50 PERCENT. RAYON CAN BE OBTAINED  
FROM TAIWAN AND JAPAN FOR LESS THAN 500 US CENTS PER POUND.

6. INTERNATIONAL TRADE FOR TEXTILES IS IMPROVING. BUYERS FROM  
ABROAD ARE AGAIN VISITING THE PHILIPPINES IN SEARCH OF GARMENTS,  
FABRICS AND YARNS. MOST OF MILSS EXPORTING REPORT SALES GOOD AND  
IMPROVING. HOWEVER, VOLUME RESTRICTED BECAUSE OF VARIOUS TEXTILE  
AGREEMENTS.

7. DEMAND AT THE RETAIL LEVEL IS IMPROVING SLOWLY BUT STEADILY.

8. IMPORTS OF U.S. COTTON DURING CURRENT SEASON EXPECTED TO BE UP  
SLIGHTLY FROM 1975-76 LEVEL IF PRICES HOLD AT ABOUT CURRENT LEVELS.  
TO DATE THERE HAVE BEEN ONLY LIMITED OFFERS OF RUSSIAN COTTON.  
IF THEY DECIDE TO MOVE COTTON AND AT COMPETITIVE PRICES, IMPORTS  
FROM U.S. WILL LIKELY BE HELD DOWN REMAINDER THIS YEAR.

9. AT PRESENT PRICE OF COTTON AND YEARN, PRICE RELATIONSHIP  
UNFAVORABLE. EXCLUDING LABOR, OVERHEAD, ADMINISTRATIVE, MARKETING  
AND OTHER RELATED COSTS, COST TO PRODUCE YARN IS ESTIMATED PESOS  
18.876 OR US \$2.57 PER KILO. CURRENT PRICE YARN IS PESOS 20.00  
OR U.S. \$2.72 PER KILO. FOR YARN TO SELL AT PESOS 20.00 PER  
KILO, LANDED COST OF COTTON SHOULD BE ABOUT 55 U.S. CENTS PER  
POUND.

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## Message Attributes

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**Channel Indicators:** n/a  
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**Review Markings:**  
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